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SIPDIS

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E.O. 12958: N/A

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SUBJECT: YEMEN: ROYG ASKS FOR MORE U.S. FLEXIBILITY ON WTO
ACCESSION REFORMS

REF: 06 SANAA 2063

11. SUMMARY: The ROYG continues to balk at what it claims are unfair U.S. demands regarding WTO accession, even as it insists it is still willing to make a good faith effort in ongoing negotiations. The WTO accession team at the Ministry of Industry and Trade (MOIT) recognizes that Yemen needs to make progress on bilateral market-access negotiations and to finalize WTO rules issues. Yemen, which has been in negotiations for WTO accession since 2002, would like to open another Trade and Investment Framework Agreement (TIFA) meeting with the USG. The ROYG may be more amenable to conceding in bilateral negotiations on sticky issues regarding market access and rules) whether through a TIFA meeting or not - than initially apparent on the surface. END SUMMARY.

TRADE MINISTRY PRIORITIZING WTO ACCESSION

12. In a meeting with the Ambassador on August 18, Dr. Yahya al-Mutawakel, the Minister of Industry and Trade, said that there needs to be more collaboration between the Ministry of Industry and Trade (MOIT) and the USG on WTO accession, which he acknowledged was essential in order to create more jobs and investment in Yemen. Gentling chiding his own government, he suggested that the ROYG is de-emphasizing economic planning in the face of tremendous political challenges, and failing to recognize that the flailing economy is inherently linked to the political crisis. He suggested that a recent focus on governance by donor countries has left economic development by the wayside. Mutawakel indicated that a holistic approach involving both the public and private sectors is critical to sustainable development and economic reform in the long-term, and believes that WTO accession is crucial.

RESERVATIONS HINDERING NEGOTIATIONS

13. When pressed by the Ambassador, the WTO accession team at the Ministry of Industry and Trade (MOIT) recognized that Yemen needs to make progress on bilateral market access negotiations and to finalize WTO rules issues. Dr. Hamoud Ali al-Najar, Chief of Communication and Coordination Office with the WTO, said that the ROYG has a number of reservations about the negotiation process. Najar specifically requested greater U.S. flexibility on agricultural-related negotiations and sensitive products. According to Najar, the concessions Yemen seeks are comparable to those granted to other Least Developed Countries (LDCs) that gained WTO accession recently, specifically identifying Nepal, Cambodia, and Cape Verde. Still, the team remains optimistic about accession and is hoping to wrap up negotiations by the end of the year.

(Note: Yemen has closed multilateral negotiations with the European Commission (EC) and, according to Ministry officials, is near to closing bilateral negotiations with Australia and Japan. End Note.)

ROYG PRESSING FOR U.S.-YEMEN TIFA

¶4. The MOIT, which has been in negotiations for WTO accession since 2002, would like to open another Trade and Investment Framework Agreement (TIFA) meeting with the USG as soon as possible. According to the WTO accession team at the MOIT, a U.S.-Yemen TIFA would raise confidence within the ROYG about the accession process. It would also lay the groundwork for the WTO ministerial meeting and a working party meeting, both of which will take place in December 2009 in Geneva. (Comment: The MOIT insists that the last U.S.-Yemen TIFA, which took place in Washington in November 2004, achieved considerable progress in the negotiations, and that another TIFA can do the same. End Comment.) Nevertheless, given the USG position that progress on outstanding issues must be made before another TIFA is scheduled, Mutawakel indicated that the MOIT would be willing to extend the deadline for the TIFA meeting, while building consensus through additional video-teleconferences (VTCs). Mutawakel's position suggests that the WTO accession team may be willing to extend discussion on outstanding issues such as market access and WTO rules.

¶5. COMMENT: Yemen's interest in opening another (and final) TIFA meeting with the U.S. appears to be connected to its desire to close bilateral negotiations with the USG and

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proceed with WTO accession. While the WTO accession team continues to insist that Yemen already has made significant concessions, Minister Mutawakel seems more flexible in lengthening the negotiations process. The ROYG may be more amenable to conceding in bilateral negotiations on sticky issues such as market access and rules) whether through a TIFA meeting or not - than initially apparent on the surface. END COMMENT.

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